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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 001057

SIPDIS

FOR THE PRESIDENT FROM THE CHARGE D'AFFAIRES
STATE PLEASE PASS TO USTR

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TAGS: [PREL](#) [ECON](#) [MARR](#) [OVIP](#) [POTUS](#) [SN](#) [ASEAN](#)

SUBJECT: SCENESETTER FOR THE PRESIDENT'S TRIP TO SINGAPORE

Classified By: CDA Daniel Shields, for reasons 1.4 (b) and (d).

11. (C) Mr. President, Singapore is abuzz over your return to Asia. Your visit, in the wake of your historic changing-of-the-generations meeting in Washington with Minister Mentor Lee Kuan Yew, has the potential to change fundamentally perceptions of the United States in the region.

Your presence in Singapore is widely interpreted as confirming that, in Secretary Clinton's words, "the United States is back" in Southeast Asia. Through your participation in the main event coming up here in Singapore -- the Asia Pacific Economic Cooperation (APEC) Leaders Meeting -- as well as through your meetings with Singapore's leaders and the first-ever U.S.-ASEAN Summit, you have an excellent opportunity to demonstrate American leadership on the global economic recovery, to enhance the already excellent relationship between the United States and Singapore, and to forge a new era in America's relationship with ASEAN.

Singapore Right Now

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12. (C) Singapore, as one of the world's great ports and trading hubs, has long made its living from the global economy. In this context, the severe problems that swept through the world economy hit Singapore particularly rapidly, plunging the city-state into the worst recession it has experienced since independence in 1965. Even in the depths of recession, however, the Government of Singapore, which had accumulated large reserves in the good years, was able to cushion the blow for the average Singaporean by passing a budget package that saved jobs, largely through training programs, and that kept businesses afloat while the country waited for its trading partners to recover. The dramatic fall-off in international trade last year harmed Singapore's economy, but the resurgence of global trade has brought a rapid revival of economic activity. Singapore officials are still concerned that unemployment remains unacceptably high, although Singapore's 5.0 percent unemployment rate remains low by global standards. Singaporeans worry that the global recovery may not move forward smoothly and predictably. They understand, however, that this is something beyond Singapore's control. Singapore is taking active measures in the areas it can control to enhance its growth prospects over the medium to long term. The government recently established a public/private Economic Strategies Committee to develop recommendations on how to reorient Singapore's economy to focus on new industries like green technologies, to enhance productivity, and to cope with intensifying competition from its neighbors, particularly China and India.

13. (C) U.S.-Singapore economic ties remain strong, but Singapore is looking increasingly to Asia and particularly to China to spur growth over the long term. Asia is now seen as Singapore's key growth market, as evidenced by the shift in new investments by Singapore's Sovereign Wealth Funds away from the United States and other developed economies and toward Asia (outside Japan) and other developing economies. Although we expect to see Singapore continue to engage the United States economically, particularly by targeting areas of excellence from business and higher education, we expect to see Singapore's economic engagement with China increase from already high levels, with Singapore investing heavily in China's infrastructure and seeking to tap into China's prospects for consumer-led growth.

14. (C) On the political front, Singapore's People's Action Party (PAP), founded by Minister Mentor Lee Kuan Yew, remains firmly entrenched in power, as it has been since 1959, when Singapore first won from Britain a degree of self-rule. Prime Minister Lee Hsien Loong may not be as charismatic as his father Lee Kuan Yew, but the PM has shown himself to be a highly competent and effective technocratic leader for Singapore. To be sure, there are voices within Singapore calling for more open democracy, but many Singaporeans remain more focused on preserving the prosperity and security that PAP rule has helped provide. The Prime Minister shares his father's pro-American stance and continues to welcome a substantial and enduring U.S. presence in the region. Singapore, while extremely tuned in to the opportunities presented by the rise of China and India, does not want any

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one power to dominate, or play an exclusive role in, the region. Singapore sees a strong and sustained U.S. presence as an important hedge against that risk.

15. (C) Singapore remains acutely aware of its small size, with a total population at about the five million mark (3.2 million Singapore citizens, 500 thousand permanent resident foreigners, and 1.2 million other foreigners). As in the past, a feeling of vulnerability often drives Singaporean policy. Militarily, Singapore constantly seeks technological advantage and is an avid consumer of advanced American (and Israeli) defense products. In foreign policy, the perception of vulnerability is manifested in a policy best described as "be friends with everyone," which may have benefits in terms of relations with its neighbors, particularly Singapore's solidarity with ASEAN partners, but has at times put the United States and Singapore at odds on issues such as human rights in Burma. But out of the sense of vulnerability comes perhaps Singapore's greatest strength: a continuous drive to succeed. Singapore today remains highly competitive precisely because it has willed itself to be number one, constantly challenging its people to improve. As recently as September, the Prime Minister said in a widely publicized speech: "some people say we can afford to be just a little bit more relaxed, no need to be number one all the time, just once in awhile will do. But if you take that attitude, soon we will be number two, number three and then eventually we will be back at the (village) level again."

U.S.-Singapore Relations

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16. (C) Singapore remains a "partner" rather than an "ally," but the bottom line is that the relationship is excellent. Military cooperation is vigorous, as it has been since the United States accepted Singapore's offer of access to Singaporean facilities in order to enable the United States to maintain an effective regional presence after the former U.S. bases in the Philippines were closed. Our 2005 Strategic Framework Agreement with Singapore has solidified our security ties and Singapore remains a hub for our Pacific Command forces' logistics operations. Singaporean forces train at six different locations in the United States.

Singapore has contributed to the efforts in Afghanistan and Iraq and is set to take over command of the Combined Task Force 151 counter-piracy operations off the coast of Somalia in January. We receive very good cooperation from Singapore on terrorism and nonproliferation issues, although we would welcome a more proactive approach on cooperation from Singapore Customs regarding the transshipment of dual-use goods and other suspect cargoes.

17. (C) The global downturn took a toll on U.S.-Singapore trade, which dropped 24 percent compared to last year. Nevertheless, tiny Singapore is our top destination in Asia for foreign direct investment -- ahead of Japan and China. Singapore is our 12th largest export market. The United States runs one of our largest bilateral trade surpluses with Singapore, due to Singapore's status as a regional trade hub. Our economic relationship has come to be defined by our Free Trade Agreement with Singapore. In the first five years since the FTA came into effect in 2004, U.S. exports grew by over 74 percent. Although Government-Linked Corporations (GLCs) continue to play a major role in Singapore's economy, Singapore shares America's strong belief in the power of markets and trade and has been an influential partner in global economic fora.

18. (C) Our bilateral relationship is at a historic high and continues to deepen and broaden. Our mid-sized Embassy houses 18 different federal agencies who are actively engaged with Singaporean counterparts in managing our relationship. Over 20,000 Americans live in Singapore and an estimated 1,500 American companies have a presence in Singapore. Many Singaporean parents yearn to get their children into American universities and Singapore is recruiting American students to its excellent universities. Approximately 650,000 passengers transited between the United States and Singapore in 2008.

Key Opportunities From Our On-The-Ground Perspective

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19. (C) Your Washington advisors will no doubt brief you on the substance of your meetings here, but we thought it might be useful to close by highlighting some of the key atmospherics surrounding your visit and how these factors may affect what the United States can accomplish during your visit and beyond.

110. (C) First and foremost, the widespread recognition that the United States is back in the region cannot be overstated and offers an opportunity to capitalize on a new level of acceptance of America's regional role. With the global economic recovery being led by Asian economies, this is an opportune moment to press for open financial and trade initiatives -- whether new, or ones we may have shied away from in the past -- which would lay the groundwork for mutually beneficial growth for years to come.

111. (C) Some in Singapore, while acknowledging that the United States may be back in the region, wonder how long this will last. Singapore, as it seeks to preserve some room to maneuver in a region of rising giants, wants to see a strong and stable U.S. presence. The mood here appears receptive to enhancing and deepening U.S. engagement in the region over the long term, sending the message -- and taking the actions to back it up -- that we are here to stay in the region as, in Secretary Gates' phrase, "a resident power."

112. (C) Not uncharacteristically, Singapore is obsessing these days about its place in the world, whether it is anxiety over Indonesia somehow surpassing it (few Singaporeans would admit it, but there is jealousy here that Indonesia is formally in the G-20 and Singapore is not), a fear that jobs are shifting to China or elsewhere, or even worries that complacency could in the long term threaten Singapore's stability. Any reassurance that you would give

that Singapore remains a valued partner and important international player would be well received and likely pay dividends down the road.

¶13. (C) Although Singaporeans publicly avoid using the term "ally" when describing the bilateral relationship, Lee Kuan Yew has told visiting U.S. officials privately that Singapore considers itself an "undeclared ally" of the United States. America's unfettered access to Singapore's naval and air facilities, Singapore's support in Afghanistan and Iraq, and, more recently, Singapore's work with Chile to block Non-Aligned Movement consensus in support of Iran's position at the IAEA in September are all evidence that this city-state, which wants to "be friends with everyone," still sees its American friends as first among equals. As Lee Kuan Yew made clear in Washington, Singapore does not want to see the East Asian region defined in closed or racial terms and wants the United States to be part of any new East Asian framework. Your visit provides a powerful symbol of the American engagement in the region that Singapore so clearly wants and needs. In this context, while Singapore prefers to do its diplomacy quietly and behind the scenes, we should not shy away from asking Singapore for explicit support on major or controversial issues that are important to us, particularly when we can make a clear link to Singapore's own interests.

¶14. (C) Your Embassy welcomes you to Singapore. We will do everything we can to work with your team from Washington to make your visit a success that surpasses even the high expectations that surround it.

SHIELDS

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<http://www.state.sgov.gov/p/eap/singapore/ind ex.cfm>